

CHAPTER 1. SYSTEMATIC ANALYSIS OF STATE REGULATION EFFECTS ON MONETARY, FISCAL, AND SOCIO-ECONOMIC SECTORS

1.1. The implementation of financial policy as an instrument of state regulation

In the current stage, under martial law conditions, achieving sustainable economic development is unfeasible without comprehensive economic regulation and an effective state financial policy. Precisely, effective state regulation of the economy, its targeted impact in the economic management sphere with the objective of directing economic processes in line with the goals, tasks, and interests of the country, is a key factor in macroeconomic shifts needed by the country. The concept of "state economic regulation" should take into account the unstable state of the country's modern economy, its dynamism, instability, and align with the changing directions, aims, and objectives of the state's economic policy. Hence, this mechanism must be unique, adapted to any changes in directions, goals, and objectives of the state's economic policy [1, p. 2].

The primary forms of state regulation of socio-economic processes include macroeconomic planning and forecasting, state ordering, and programming [2, p. 38]. These tools play a crucial role in defining the strategic direction of economic development, helping the government adapt to global changes and challenges. Macroeconomic planning and forecasting allow governments to effectively allocate resources, anticipating economic cycles and changes. This includes analyzing factors such as GDP, inflation, unemployment, and trade balance. Effective planning helps prevent economic crises and promotes stability. State governing, as a regulatory tool, plays an important role in stimulating economic activity. Through state contracts, governments can influence the development of certain industries, fostering innovation and job creation. Programming is another significant form, involving the development of comprehensive development plans for certain economic sectors or regions. It allows governments to target economic development, promoting the balanced development of different territories and sectors.

The mechanism of state economic regulation is based on a totality of interconnected financial-economic tools, forms and methods of influence on the process of increase of the productive forces of society, considering the goals and interests of economic relation subjects. Depending on development priorities, the objects of state regulation include the economic cycle, the structure of the national economy, balance of payments, labor market, monetary circulation, foreign economic activity, etc. [2, p. 38]. State influence on economic processes is realized through financial policy, developed and implemented by the central bank, government, the ministry of finance, financial market regulators, and budget and finance committees. State financial policy, as a component of the state's economic policy, comprises predetermined and approved measures, forms, and methods of mobilizing, distributing, and utilizing financial resources by state institutions to fulfill the state's functions in line with the strategic and tactical goals of its economic and social development. This system combines financial relations, materialized in the form of national plans and programs, managerial decisions arising in the process of formulating and implementing a strategy for the functioning and development of state finances.

Financial policy is one of the most critical tools of state regulation, playing a key role in determining the direction of economic development and stability of the country. This policy includes a broad range of measures concerning the tax system, government spending, management of public debt, as well as currency and credit policy. The methods used within financial policy can be classified as administrative, market-based, or mixed, each with its features and areas of application.

Administrative methods include direct regulation and control by the state of financial flows and markets. This can involve setting tax rates, defining budgetary priorities, regulating the banking system's activities, and introducing or revoking financial sanctions and restrictions. Administrative methods are often used to stabilize the economy, combat inflation, and stimulate economic growth.

Market-based methods rely on the use of free-market mechanisms to regulate finances. This can include tools such as interest rates, regulated by central banks to influence investment and consumption, or the use of exchange rates to impact foreign

trade. Market-based methods play a significant role in shaping financial markets and stimulating the private sector.

Mixed methods combine elements of administrative and market-based approaches. They may include state stimulus programs, tax incentives for specific economic sectors, and the use of state funds for investing in key industries. Mixed methods are used to achieve a balance between stabilizing the economy and stimulating innovation and development.

Depending on the specific economic situation and the government's goals, a combination of these methods can be chosen. Effective combination of different types of regulation allows for a flexible and responsive financial policy that can adapt to changing conditions and challenges facing the economy.

The primary goal of state financial policy is to create and maintain a stable economic environment contributive to growth, development, and social welfare. This policy encompasses a broad spectrum of actions aimed at the efficient management of the country's financial resources. Using financial policy tools, the state makes significant influence on the volume and structure of the gross domestic product, the state of the balance of payments and public finances, the level of employment, inflation, etc.

Key tasks of financial policy can be defined as follows [3, p. 45; 4, p. 31-32]:

- Creating conditions for maximizing the volumes of financial resources formed by the state;
- Implementing mechanisms for rational allocation and use of formed financial resources;
- Ensuring proper regulation, stimulation, and control of economic and social processes using financial methods;
- Formulating, developing, and maintaining the functioning of the financial mechanism based on the goals and strategies of financial policy;
- Establishing an effective system of management of public finances.

In periods of macroeconomic instability and declining economic growth rates, the impact of financial policy on the state's economy intensifies, raising questions about searching for effective methods and tools for distributing financial resources in

the state, satisfying all necessary needs, and simultaneously stimulating business activity. It is crucial to create the financial system based on the interaction of state regulation of economic processes and self-regulation mechanisms, which requires a corresponding institutional system with developed financial institutions. Financial and budgetary activities are an important component of the state's economic strategy, ensuring economic growth with a clear direction. The directions and tools for their provision, management, and regulation are guarantees of financial stability of economic entities, sustainable development of the national economy and the environment, preservation of the united and stable financial system, and overcoming various threats in the economic and environmental spheres, as well as in the sphere of national security and defense [6, p. 128].

The primary goal of state financial policy is to create and maintain a stable economic environment conducive to growth, development, and social welfare. This policy encompasses a broad spectrum of actions aimed at the efficient management of the country's financial resources. Using financial policy tools, the state significantly influences the volume and structure of the gross domestic product, the state of the balance of public finances, the level of employment, inflation, etc. The priority directions of financial policy for the medium-term perspective should be the following:

- Ensuring macroeconomic stability: maintaining price stability, controlling inflation, ensuring a balanced budget, effective management of public debt, and currency policy. Issues of stabilizing the macroeconomic environment are a primary priority in the context of martial law in Ukraine and will be discussed in subsequent sections.
- Social protection of the population: ensuring effective social programs that support vulnerable groups of the population and introducing measures to reduce financial inequality.
- Stimulating economic growth: focusing on policies that encourage investment, innovation, and entrepreneurship, including tax incentives for business and support for research and development.

- Infrastructure development: investing in critical infrastructure, which can include transport, energy, and digital infrastructure, to promote long-term economic growth. In particular, developing public-private partnerships for implementing major infrastructure projects.
- Financial inclusion and digitalization: developing financial services and technologies that provide broader access to financial resources and promote the efficiency of financial operations.
- Ecological sustainability and achieving sustainable development goals: integrating sustainable practices into financial policy, including support for energy efficiency, renewable energy sources, and sustainable investments. Focusing on sustainable economic growth as an important priority of state regulation and support.

Thus, with the effective application of financial policy tools, it can contribute to price stability, create favorable conditions for investment, ensure a high level of employment, and reduce social inequality. At the same time, incorrect or insufficiently thoughtful application of these tools can lead to financial crises, inflation, and economic imbalances. Therefore, balancing different aspects of financial policy is critically important for ensuring macroeconomic stability and economic development.

During wartime, the financial policy of a country often undergoes significant changes to accommodate the extraordinary demands of war. These changes reflect the country's need to mobilize resources, support its military efforts, and maintain stability. In the post-war period, the financial policy is primarily focused on recovery, rebuilding, and transitioning back to a peacetime economy. This period often involves significant challenges and requires carefully chosen policies to promote stability and growth. In this work, the peculiarities of the financial policy of Ukraine during the war and its main priorities in the post-war period were considered.